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FARMERS' NEWSLETTER

Oilseeds

October 78/O-5

Now that most of the 1978 soybean crop has been harvested, you'll want to finalize your marketing plans to get the best possible price. Harvest prices in mid-October were running about $6.50 per bushel--tempting many of you to sell. The big question, of course, is would you get more by waiting?

Record Demand Balances Record Supply

The 1978 U.S. soybean crop is a record 1,792 million bushels, about 2 percent above last year. Producers boosted acreage by 9 percent. But a wet spring and late plantings put yield per acre at 28.3 bushels, down 2.3 bushels from last year's record high.

Right now supply and demand appear to be in fairly close balance in 1978/79, with U.S. farm prices for the entire season possibly averaging from $6.00 to $6.50 per bushel. Prices should hit their peak during the first half of the current marketing year because Brazil--our major competitor in world markets--is out of beans from its reduced 1978 crop (harvested last spring).

So we'll be the big supplier to the world until Brazil's new crop beans are available about April 1979. We should have a good idea in January of the actual area planted to soybeans in South America--watch for market reports.

If the current prediction of 13-1/2 million metric tons (500 million bushels) for Brazil's 1979 soybean crop proves correct, U.S. bean prices may weaken next spring and summer. But if the projections don't pan out, your bean prices should continue strong all season. Remember, the South American farmers are just now planting their 1979 soybean crops.

The domestic soybean crush may well increase some 5 percent from the 927

U.S. SOYBEAN SUPPLY AND DEMAND

Item	1976/77[1]	1977/78[2]	1978/79[3]
Acreage	Million acres		
Planted	50.2	58.8	64.4
Harvested	49.4	57.6	63.3
Yield per acre harvested	Bushels		
	26.1	30.6	28.3
Supply	Million bushels		
Beginning stocks, Sept. 1	245	103	159
Production	1,288	1,762	1,792±60
Total supply	1,533	1,865	1,951±60
Use			
Crushings	790	927	970±50
Exports	564	700	730±50
Seed, feed, residual	76	79	81
Total use	1,430	1,706	1,781±75
Ending stocks, Aug. 31	103	159	170±50
Price	Dollars per bushel		
Season avg. farm price[4]	6.81	5.80	6.00 - 6.50
U.S. loan rate	2.50	3.50	4.50

[1] Preliminary. [2] Estimated. [3] Forecast based on October 1 indications. [4] Weighted by monthly marketings.

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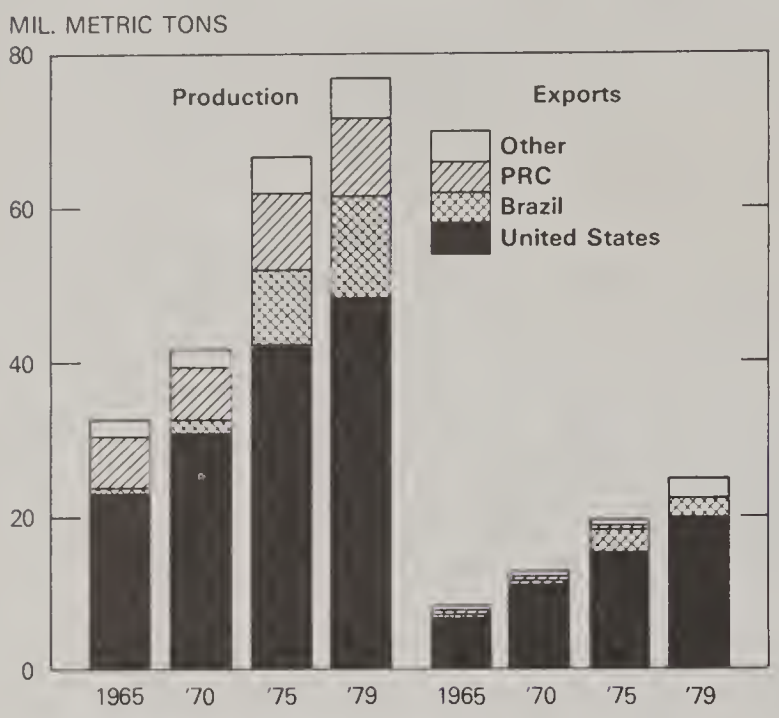
WORLD PRODUCTION AND EXPORTS OF SOYBEANS



Exports exclude bean equivalent of soybean meal and soybean oil exports.
1979 data for production and exports are forecasted.

million bushels processed in 1977/78. That prospect rests mainly on increased domestic feeding of soybean meal. And this looks likely since more poultry, cattle, and hogs will be fed in 1978/79 and soybean meal prices are favorable for increased feeding. This likely will result in U.S. soybean meal prices averaging higher than in 1977/78.

More soybean exports are also expected--about 4 to 5 percent more than last season's record 700-million-bushel level--due to competitive U.S. prices and rising demand overseas in response to increased hog and poultry production in many countries.

So with both crushings and exports expected to increase, it looks like the U.S. soybean carryover on September 1, 1979, may be around 170 million bushels, up only slightly from this year's 159 million bushels.

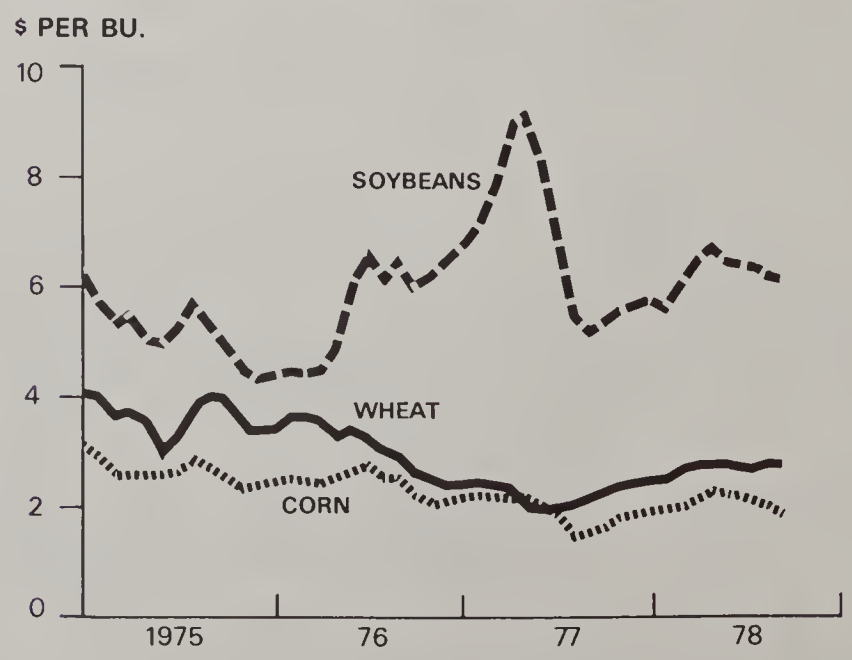
World Supplies Up; Demand Strong

World production of oilseeds, oils, and fats in 1978/79 is projected at around 55 million metric tons (oil basis), up about 5 percent from last season. World high-protein meal output should be about 82 million tons--up more than 6 percent from last year. Most of this increase will come from foreign producers, in contrast to 1977/78 when the United States accounted for the bulk of the increase in world output.

World demand for fats and oils--which is expected to continue increasing--is mainly related to population, income, and price. In recent years, world consumption has increased at an average rate of 1-1/2 million metric tons per year.

The decline in value of the U.S. dollar in comparison with other currencies (particularly West German and Japanese) makes U.S. soybeans and soybean meal favorably priced relative to European grains. This factor, along with a growth in Western European livestock and poultry numbers, is increasing the foreign demand for high-protein feeds. As a result, U.S. soybeans and soybean products look attractive to foreign buyers.

PRICES RECEIVED BY FARMERS



Marketing Strategy

Marketing your soybean crop successfully depends upon how well you gauge the price outlook. Your marketing decisions are just as important as the ones you made earlier regarding planting, cultivating, and harvesting. In fact, they're more important since your profits for the entire season depend on them.

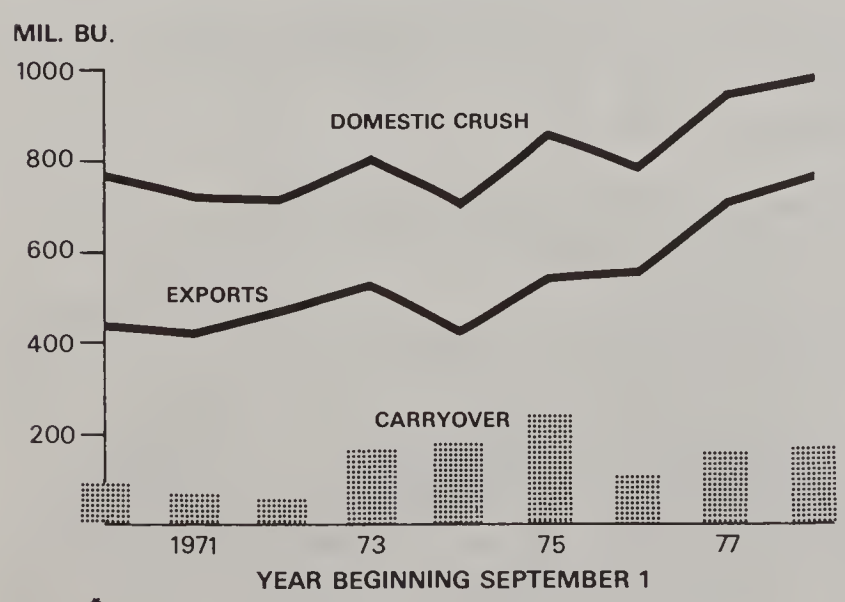
- If you think current soybean prices look good, you might want to sell your 1978 crop during harvest.

- If you're satisfied with the current price, or if you think prices may get better, you may want to forward contract all or part of your 1978 crop.

- If you're undecided, you might sell part of your crop at harvest, and store the remainder of the crop for sale later in the season.

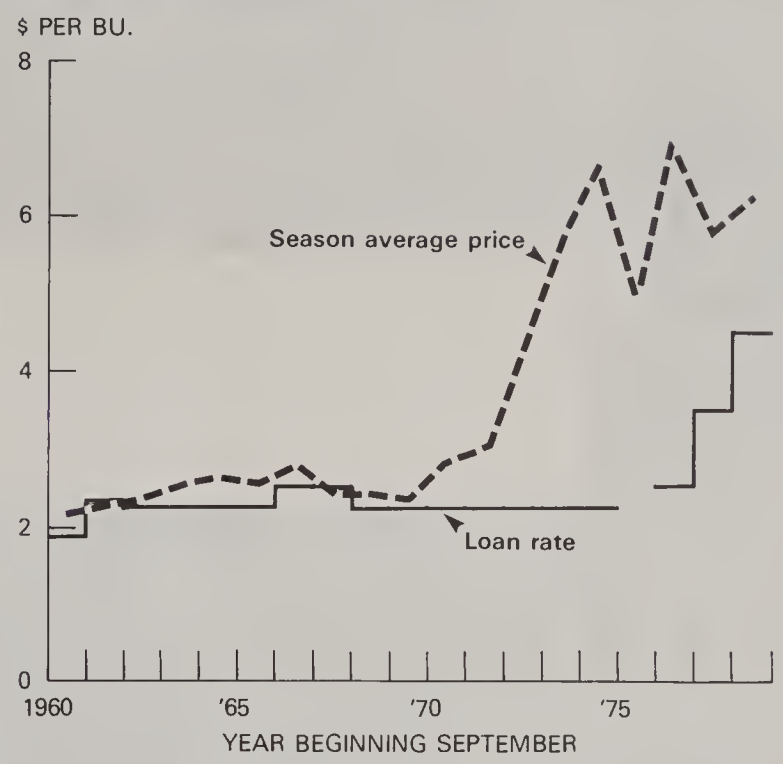
- If you feel that demand will remain strong throughout the year, store your crop and sell at intervals during the 6 or 8 months following harvest. You may obtain a loan (with a lower interest rate than you could get commercially) from the Commodity Credit Corporation (CCC) while your beans are in storage. See your local ASCS county office for loan information. But remember, if you planted any feed grains or wheat, you must have participated in the set-aside program for those crops to be eligible for a CCC soybean loan.

U.S. SOYBEAN USE*



*EXCLUDES PLANTING SEED AND SOYBEANS USED AS FEED.

SOYBEAN LOAN LEVELS AND FARM PRICES



No loan rate for 1975/76. Season average price for 1978 is estimated.

Update on Soybeans' Competitors

As you know, soybean oil competes domestically with peanut oil, cottonseed oil, and sunflowerseed oil. The price levels of these oils are generally related because in many instances one can be substituted for another. And although soybeans are our primary oilseed crop (taking three-fifths of the total U.S. market), U.S. farmers do pretty well with some of the other oilseeds, too.

The overall outlook for U.S. oilseed crops is for near record-large supplies, continuing strong demand here and abroad, and prices to farmers higher than last year. Here's an individual rundown on the outlook for each crop:

Our sunflowerseed production is forecast at 3.4 billion pounds (1.5 mil-

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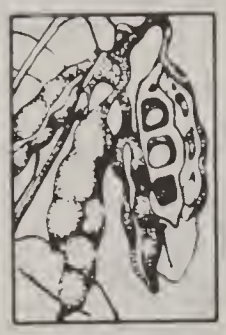

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lion metric tons), up 23 percent from 1977. This first forecast is for all sunflowers produced in North Dakota, South Dakota, Texas, and Minnesota. Of course, other States grow sunflowers too, but national data are not available.

Most sunflowers produced in the United States are crushed for their oil, although the birdfeed variety is also important. Market prices for sunflowerseeds this year are averaging better than 11 cents per pound--up almost 3 cents from last year.

Peanut production (in-shell) is forecast at about 4 billion pounds (1.8 million metric tons), about 6 percent above 1977. Record production in the Southeastern area is responsible for the increase since yields are down in the Southwest and about unchanged in the Virginia-North Carolina area.

Domestic peanut use (edible use and crush) is expected to expand in 1978/79 but exports likely will be down slightly because both India and Africa had good crops this year. Prices received by U.S. farmers so far this marketing year are averaging around 21 cents per pound, close to the Government support level and near the 1977/78 season average.

Partially offsetting the gains in U.S. sunflower and peanut production is a 24-percent decline in 1978 cottonseed production to 4.2 million short tons (3.8 million metric tons), and a 27-percent drop in flaxseed output to 11.7 million bushels (0.3 million metric tons). Prices to farmers for these oilseeds are well above 1977 levels.

OILSEED PRODUCTION

Crop	United States		World	
	1977	1978	1977	1978
	Million metric tons			
Soybeans	47.9	48.8	73.9	75.5
Cottonseed	5.0	3.8	26.3	25.2
Peanuts (in shell)	1.7	1.8	16.8	18.2
Flaxseed	0.4	0.3	3.1	3.0
Sunflowerseed	[2] 1.3	[2] 1.5	11.7	13.9
Total	56.3	56.2	131.8	135.8

[1] Years shown refer to years of harvest. Southern Hemisphere crops which are harvested in the early part of the year are combined with those of the Northern Hemisphere harvested in the latter part of the same year. [2] Four major producing States.